



**Mary Taylor, CPA**  
Auditor of State

**City of Canal Fulton**  
**Stark County, Ohio**

**General Purpose External Financial Statements**  
**For the Year Ended December 31, 2009**

**Local Government Services Section**

**City of Canal Fulton, Ohio**  
*General Purpose External Financial Statements*  
*For the Year Ended December 31, 2009*  
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# Mary Taylor, CPA

Auditor of State

April 26, 2010

City of Canal Fulton  
155 East Market Street  
Canal Fulton, Ohio 44614

We have compiled the accompanying basic financial statements of the City of Canal Fulton as of and for the year ended December 31, 2009, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management's Discussion and Analysis is required supplementary information that has been prepared by management. We have not compiled, reviewed nor audited this information and accordingly assume no responsibility for it.

MARY TAYLOR, CPA  
Auditor of State

A handwritten signature in cursive script that reads "Unice S. Smith".

Unice S. Smith  
Chief of Local Government Services

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**City of Canal Fulton, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

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The discussion and analysis for the City of Canal Fulton's (the City) financial statements provide an overall review of the financial activity of the City for the twelve months ended December 31, 2009. The intent of this discussion is to provide a narrative that describes the City's performance as a whole. To obtain a more detailed understanding, one should also review the basic financial statements and the notes to the basic financial statements.

**Financial Highlights**

Financial highlights for 2009 are as follows:

- The City worked to improve its Emergency Medical Services (EMS) billing process, which increased the timeliness of collections. This improvement resulted in an increase of almost \$150,000 in charges for services revenue over the prior year.
- This year the City received capital grant monies from Stark County for the Locust Street Paving Project.
- In spite of the nation-wide economic downturn, the City did not have to cut any jobs and was able to give its employees a three percent wage increase.

**Using this Annual Financial Report**

This report consists of a series of financial statements and notes to those statements. These statements are prepared and organized in a manner that allows the reader to look at the financial activities of the City of Canal Fulton as a whole and also allows the reader to obtain a more detailed view of the City's operations, if they prefer.

The Statement of Net Assets and the Statement of Changes in Net Assets provide information from a summary perspective showing the effects of the operations for the year 2009 and how they effected the operations of the City as a whole.

Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

***Reporting the City of Canal Fulton as a Whole***

***Statement of Net Assets and Statement of Activities***

The Statement of Net Assets and the Statement of Activities provide summary information concerning the financial position and operations of the City as an entity. They provide a good resource for an overall evaluation of the City's financial performance. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. This method takes into account all revenues when they are earned and all expenses when they are incurred. These transactions are booked when they occur and not when the actual cash is received for revenues or when invoices are paid for expenses.

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These two statements report the City's net assets and changes in those assets. The change in net assets is important since it is an indication of whether the financial position of the City is improving or declining. However, to properly evaluate the operation of the City, certain non-cash items should be taken into consideration. These items would include the current economic situation as a whole, the current tax base for the City and the age and condition of the City's buildings and infrastructure.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two major activities:

**Governmental Activities** – Most of the City's programs and services are reported here including, general government, police, fire, transportation and leisure time activities.

**Business-Type Activities** – These services are provided on a fee basis to recover all of the expenses of the goods or services provided. The City's business-type activities are water and sewer.

***Reporting on the Most Significant Funds of the City of Canal Fulton***

***Fund Financial Statements***

The analysis of the City's major funds begins on page 9. Fund financial reports give a detailed report of the activities within the funds. The City currently has eighteen funds, as presented in this report. These funds are in existence to provide a multitude of services to the citizens of Canal Fulton. Some funds provide for streets, police, fire and emergency medical service protection, capital improvements, water service and sewer service. Some also provide for the purchase of capital assets, while others provide for the payment of principal and interest on debt. Each fund is in some ways an entity unto itself. Each fund, other than the General fund, has a designated revenue stream and restricted uses for the monies within the fund.

In this report, the focus is on six major funds, the general fund, the police fund, the fire/EMS fund, the general capital projects fund, the water fund, and the sewer fund.

***Governmental Funds*** All of the City's major activities (excluding the Utility Department) are reported in the governmental funds. This report shows how monies flow into and out of these funds and also shows what balances are available for future expenditures. The accounting method used to report this activity is the modified accrual method. This method reports cash and like-cash items that can be converted into cash. This shows what level of financial resources are available or will be available to provide the services that the general government will provide in the near future. These services include police, fire and emergency medical service protection, as well as improving and maintaining the City's streets. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental funds is reconciled in the financial statements.

***Proprietary Funds*** Proprietary funds use the same basis of accounting as business-type activities. The City of Canal Fulton has two enterprise operations under the proprietary classification. They are the water fund and the sewer fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Canal Fulton's own programs.

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**The City of Canal Fulton as a Whole**

The Statement of Net Assets provides an overall view of the City. Table 1 shows a summary of the City's net assets for 2009 as they compare to 2008.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Current and Other Assets	\$2,057,944	\$2,376,652	\$1,179,585	\$1,112,686	\$3,237,529	\$3,489,338
Capital Assets, Net	10,819,599	10,773,053	8,510,923	8,628,738	19,330,522	19,401,791
<i>Total Assets</i>	<u>12,877,543</u>	<u>13,149,705</u>	<u>9,690,508</u>	<u>9,741,424</u>	<u>22,568,051</u>	<u>22,891,129</u>
<b>Liabilities</b>						
Current Liabilities	483,014	1,121,419	99,224	106,888	582,238	1,228,307
Long-Term Liabilities:						
Due Within One Year	124,812	113,787	278,642	278,642	403,454	392,429
Due in More Than One Year	1,345,350	1,467,208	2,113,932	2,295,486	3,459,282	3,762,694
<i>Total Liabilities</i>	<u>1,953,176</u>	<u>2,702,414</u>	<u>2,491,798</u>	<u>2,681,016</u>	<u>4,444,974</u>	<u>5,383,430</u>
<b>Net Assets</b>						
Invested in Capital Assets,						
Net of Related Debt	9,423,905	8,658,572	6,194,772	6,132,427	15,618,677	14,790,999
Restricted for:						
Capital Projects	439,037	401,786	0	0	439,037	401,786
Debt Service	55,191	99,416	0	0	55,191	99,416
Street Repair and Maintenance	282,808	301,756	0	0	282,808	301,756
Police Protection	61,410	46,508	0	0	61,410	46,508
Other Purposes	114,031	80,910	0	0	114,031	80,910
Unrestricted	547,985	858,343	1,003,938	927,981	1,551,923	1,786,324
<i>Total Net Assets</i>	<u>\$10,924,367</u>	<u>\$10,447,291</u>	<u>\$7,198,710</u>	<u>\$7,060,408</u>	<u>\$18,123,077</u>	<u>\$17,507,699</u>

Total assets decreased in 2009 as a result of a decrease in cash and cash equivalents, due in part to paying off the short-term notes issued in 2008 in the amount of \$605,000. The decrease in capital assets is mainly due to depreciation expense outpacing additions within the business-type funds.

The retirement of the notes issued in 2008, as mentioned above, is also reflected in the large decrease in current liabilities from the prior year. Long-term liabilities also decreased significantly due to paying down debt. Offsetting this slightly was a new debt issuance during the year of a zero percent interest Ohio Public Works Commission (OPWC) loan for the High Street sanitary sewer project in the amount of \$93,652.

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Table 2 shows the changes in net assets for the year ended December 31, 2009 for both our Governmental activities and our Business-Type activities.

**Table 2**  
**Change in Net Assets**

	Governmental Activities		Business - Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Program Revenues:						
Charges for Services and Sales	\$212,698	\$104,748	\$1,416,647	\$1,376,336	\$1,629,345	\$1,481,084
Operating Grants and Contributions	329,391	400,100	0	0	329,391	400,100
Capital Grants and Contributions	196,237	0	0	0	196,237	0
Total Program Revenues	738,326	504,848	1,416,647	1,376,336	2,154,973	1,881,184
General Revenues:						
Property Taxes	323,113	468,988	0	0	323,113	468,988
Income Taxes	1,975,689	1,853,268	0	0	1,975,689	1,853,268
Grants and Entitlements	219,672	393,107	0	0	219,672	393,107
Interest	4,960	40,471	0	0	4,960	40,471
Other	154,421	94,351	10,914	3,388	165,335	97,739
Total General Revenues	2,677,855	2,850,185	10,914	3,388	2,688,769	2,853,573
Total Revenues	3,416,181	3,355,033	1,427,561	1,379,724	4,843,742	4,734,757
<b>Program Expenses</b>						
General Government	673,710	643,930	0	0	673,710	643,930
Security of Persons and Property	1,449,525	1,421,490			1,449,525	1,421,490
Transportation	452,405	431,528	0	0	452,405	431,528
Leisure Time Activities	77,588	62,259	0	0	77,588	62,259
Interest and Fiscal Charges	65,877	93,956	0	0	65,877	93,956
Water	0	0	707,888	798,077	707,888	798,077
Sewer	0	0	801,371	859,123	801,371	859,123
Total Program Expenses	2,719,105	2,653,163	1,509,259	1,657,200	4,228,364	4,310,363
Increase/(Decrease) in Net Assets						
Before Special Items and Transfers	697,076	701,870	(81,698)	(277,476)	615,378	424,394
Transfers	(220,000)	(107,699)	220,000	107,699	0	0
Increase/(Decrease) in Net Assets	477,076	594,171	138,302	(1,063,552)	615,378	(469,381)
Net Assets Beginning of Year	10,447,291	9,853,120	7,060,408	8,123,960	17,507,699	17,977,080
Net Assets End of Year	\$10,924,367	\$10,447,291	\$7,198,710	\$7,060,408	\$18,123,077	\$17,507,699

In 2009, total revenues exceeded total revenues in the prior year. A large part of this increase is due to the increase in charges for services, which is the result of an improved EMS fee collection process, as mentioned in the "Financial Highlights". Another significant increase involves capital grants and contributions, which is money the City received from Stark County for the Locust Street paving project. Income tax revenue also increased over the prior year due to increased collections in both withholding and individuals.



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Offsetting these increases were decreases in operating and unrestricted grant revenues, as well as property tax revenue. The decreases in the operating and unrestricted grant revenues were due to decreased homestead and rollback monies, which correlate with property tax collections. The decrease in property tax revenue is due in part to lower assessed values on property itself, as well as a lower tax rate due to the fire and police levies expiring.

Governmental expenses for 2009 were slightly above those of 2008. This increase is mainly due to a three percent wage increase given to all employees. Partially offsetting the wage increase was a decrease in health care premiums from 2008. Business-type expenses decreased in 2009 due to fewer projects being done in both the water and sewer funds.

***Governmental Activities***

The funding for governmental activities comes from several different sources, the most significant being the City's municipal income tax. Other prominent sources are property taxes, intergovernmental revenue, charges for services, and interest.

The City's income tax was established to be effective January 1, 1984 at a rate of 0.50 percent. This rate was later increased to .75 percent effective January 1, 1996 and further increased to 1.00 percent effective January 1, 2001. In the November, 2004 election, the voters of Canal Fulton elected to increase the income tax rate to 1.10 percent effective January 1, 2005. Lastly, effective on January 1, 2007 the income tax rate moved from the previous 1.10 percent to 1.5 percent. Also, on January 1, 2003, the City allowed a 50 percent credit of the City's income tax rate for taxes paid to other political subdivisions in Ohio. On a full accrual basis, the City received income tax revenue of \$1,975,689.

The operations of the City's police and fire departments account for the largest expenses of the governmental activities, representing 53.37 percent of the total governmental activities expenses. The City's police department is a full-time 24-hour a day, 365-days a year department, with a full-time chief and 7 patrolmen. The fire department is staffed by part-time volunteer firefighters. The police and fire departments each received a 1.00 mill property tax levy. The remaining amount that is needed to operate the police department is subsidized by the general fund and income tax revenue.

***Business-Type Activities***

The City operates a Utility Department that consists of water and sewer services. The water utility includes water administration, a water treatment plant and water distribution.

The water utility services 2,060 customers which include residents of the City as well as outside-City customers. The City's water rates are \$2.27 per thousand gallons for inside City residential customers and \$5.68 per thousand gallons for outside City residential customers.

The City's water treatment plant treats an average of 435,000 gallons of water per day with a capacity to treat an additional 400,000 per day. The raw water is supplied by five wells throughout the City. The water treatment plant was built in 1989.

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The City provides sewer treatment services. The City owns and maintains sewer lines throughout the City. The City charges residential customers a minimum rate of \$13.13 and then \$2.68 for each additional 1,000 gallons. For customers who pay sewer only, these residents pay a flat rate of \$21.14. As of December 31, 2009, the City had 45 of these accounts.

The revenues and expenses for both of these utilities are reported under the Business-type Activities in Table 2. The majority of revenues are derived from charges for services. In 2009, revenues of \$1,427,561 were less than the total expenses for the utilities of \$1,509,259, resulting in a loss before transfers of \$81,698 for the Business-type Activities.

### **The City's Funds**

Information about the City's governmental funds begins on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$3,432,625 and expenditures of \$2,877,392. The City's general fund reflected an increase in fund balance of \$285,887 and carries forward an ending fund balance of \$231,792. Both the police and fire/ems funds had expenditures exceeding revenues and were subsidized by transfers from the general fund. In 2009, property tax revenue in these two funds was phased out and they rely primarily on income taxes, charges for services, and transfers from the general fund.

Information about the proprietary funds starts on page 23. These funds are accounted for on an accrual basis. All business-type funds had operating revenues of \$1,427,561 and an operating loss of approximately \$35,324.

### **Budgeting Highlights**

The City's budget is prepared according to the laws of the State of Ohio and is based on accounting for certain transactions on a cash basis for receipts, expenditures, and encumbrances. The most significant budgeted fund is the general fund. The legal level of budgetary control is at the personal services and individual object level within each department. Any budgetary modifications at this level may only be made by ordinance of City Council. During 2009, four supplemental appropriation measures were authorized by the City Council. Administrative control of the budget is maintained through the establishment of detailed line-item budgets. Intra-fund transfers within existing appropriations are contained in the annual appropriation measure and are permitted once the permanent appropriation measure has been passed by City Council.

Strong emphasis is placed on fund balances. The Finance Director reviews the fund balances on a daily basis. Special attention is paid to the City's largest funds, which are the general, water, and sewer funds. Council receives a monthly report showing the beginning fund balance for all funds at the beginning of the year, monthly and year-to-date revenues, and the current fund balance.

Line item reports are reviewed regularly by the Finance Director. The department heads, as well as the City Manager, also monitor their appropriations to ensure the entire operation of the City operates within the appropriations.

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For the general fund, original and final budgeted revenues were \$2,018,438 and \$2,133,438, respectively, and actual revenue collections were \$2,449,447. The increase in budgeted revenue was primarily due to higher projected estimates of income tax revenue.

Also in the general fund, the original budgeted expenditures and final budgeted expenditures were \$1,419,257 and \$1,459,207, respectively. The actual expenditures were \$1,353,656. The City's ending unencumbered cash balance in the general fund was \$338,891 below the final budgeted amount.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

**Table 3**  
**Capital Assets at December 31**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$2,668,100	\$2,668,100	\$313,600	\$313,600	\$2,981,700	\$2,981,700
Construction in Progress	0	0	93,652	0	93,652	0
Buildings and Improvements	5,457,938	5,564,850	2,432,043	2,476,064	7,889,981	8,040,914
Equipment and Machinery	228,786	229,501	49,877	58,664	278,663	288,165
Vehicles	97,293	131,287	34,966	54,457	132,259	185,744
Infrastructure						
Roads	695,706	467,198	0	0	695,706	467,198
Storm Sewers	1,671,776	1,712,117	0	0	1,671,776	1,712,117
Water Lines	0	0	3,317,414	3,399,870	3,317,414	3,399,870
Sewer Lines	0	0	2,269,371	2,326,083	2,269,371	2,326,083
Totals	<u>\$10,819,599</u>	<u>\$10,773,053</u>	<u>\$8,510,923</u>	<u>\$8,628,738</u>	<u>\$19,330,522</u>	<u>\$19,401,791</u>

Total Capital Assets for the City of Canal Fulton for the year ended December 31, 2009 was \$19,330,522, which reflects a decrease of \$71,269 from the 2008 ending balance of \$19,401,791. The primary cause for this decrease in Capital Assets is due to the water and sewer funds having higher depreciation expense compared to capital asset additions. See Note 11 in the financial statements for more information regarding the City's capital assets.

#### ***Debt***

The outstanding debt for the City as of December 31, 2009 was \$3,737,035. This balance reflected a decrease of \$904,670 from the previous year's balance of \$4,641,705, a decrease of 19.49 percent.

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**Table 4**  
**Outstanding Debt at Year End**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	\$1,355,023	\$1,445,576	\$0	\$0	\$1,355,023	\$1,445,576
Water Bonds	0	0	908,997	1,079,337	908,997	1,079,337
Water Improvement Notes	0	0	0	0	0	0
OPWC Loan	0	0	1,422,154	1,437,060	1,422,154	1,437,060
Capital Lease	50,861	74,732	0	0	50,861	74,732
Bond Anticipation Notes	0	605,000	0	0	0	605,000
Totals	<u>\$1,405,884</u>	<u>\$2,125,308</u>	<u>\$2,331,151</u>	<u>\$2,516,397</u>	<u>\$3,737,035</u>	<u>\$4,641,705</u>

The general obligation bonds are for the downtown improvement project and fire station construction. The downtown improvement bonds will be repaid in 2011 and the fire station bonds will be repaid in 2025. Property tax revenue and general revenues will be used to repay these bonds.

The water bonds in the Business-type activities include bonds for the construction and expansion of the wastewater treatment plant. This debt carries interest rates of 2.6 – 4.2 percent. User fees will pay this off over a period of 10 years. This bond will be retired in 2011. The water bonds category also includes a 20 year bond with interest rates of 3.0 – 4.5 percent. This bond will be retired in 2025 and is for the construction of a waterline to the Northwest Schools campus.

The Ohio Public Works Commission Loan (OPWC) is comprised of seven separate, zero percent interest loans. The purpose of these loans are for the construction and improvement of various water and sewer projects, most notable is the Water Treatment Plant and Wellfield Expansion project. These loans will be repaid over a period of 20 years by user fees. The loans will be retired anywhere from 2015 to 2040.

See Notes 12 and 13 in the financial statements for more information regarding the City's debt.

### **Current Financial Issues**

Over the past fifteen years, income tax collections (on a cash basis) have increased from \$425,403 in 1993, to \$1,960,915 in 2009. This is largely attributed to the voter approved, four tenths of a percent increase that began in 2008. The Northwest Local School District became the City's largest employer in June 2008 through an annexation. Our income tax collections are distributed to various funds in varying percentages, which are reviewed yearly at budget time by City Council. In 2009, most income tax collections were receipted into the general fund, which allows the City to be able to accomplish numerous projects throughout Canal Fulton without having to increase the debt burden of the City. The majority of the debt is for the City's water and sewer utilities, including bonds and 0 percent interest OPWC loans and will be repaid from user fees.

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In 2009, plans to construct a sanitary sewer line became a reality when the City received a Federal stimulus grant for 50 percent of the cost of the line. The planned Marshallville Sanitary Sewer Project, with an estimated cost of \$377,409, is intended to foster and develop growth within the Route 21 Corridor. Large undeveloped parcels could eventually bring new commercial, industrial, business, and residential opportunities into the City. Construction of the line began in early 2010 and the City will be reimbursed for 50 percent of the expenses as they are incurred.

The City paid off a general fund note for 24 acres of undeveloped prime property that will be future parkland. Retiring the note saved an estimated \$30,000 in interest and underwriting fees for 2010. The City continues to make a conscious effort to keep operating expenditures within the previous year's levels.

**Contacting the City's Finance Department**

This report is intended to provide our citizens and anyone interested in the financial aspects of the City of Canal Fulton a general overview of our financial operation. If there are any questions, please feel free to contact the Finance Director Scott M. Svab, City of Canal Fulton, 155 E. Market Street, Canal Fulton, Ohio 44614, telephone (330) 854-6761 or website at [www.cityofcanalfulton.org](http://www.cityofcanalfulton.org).

**City of Canal Fulton, Ohio**

*Statement of Net Assets*

*December 31, 2009*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$950,729	\$1,040,191	\$1,990,920
Accounts Receivable	21,860	124,394	146,254
Intergovernmental Receivable	249,684	0	249,684
Materials and Supplies Inventory	11,302	0	11,302
Income Taxes Receivable	481,042	0	481,042
Property Taxes Receivable	343,327	0	343,327
Deferred Charges	0	15,000	15,000
Nondepreciable Capital Assets	2,668,100	407,252	3,075,352
Depreciable Capital Assets, Net	8,151,499	8,103,671	16,255,170
<i>Total Assets</i>	<u>12,877,543</u>	<u>9,690,508</u>	<u>22,568,051</u>
<b>Liabilities</b>			
Accounts Payable	23,292	17,819	41,111
Accrued Wages	40,706	18,630	59,336
Intergovernmental Payable	86,667	37,711	124,378
Deferred Revenue	318,408	0	318,408
Vacation Benefits Payable	7,987	6,332	14,319
Accrued Interest Payable	5,954	18,732	24,686
Long-Term Liabilities:			
Due Within One Year	124,812	278,642	403,454
Due In More Than One Year	1,345,350	2,113,932	3,459,282
<i>Total Liabilities</i>	<u>1,953,176</u>	<u>2,491,798</u>	<u>4,444,974</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	9,423,905	6,194,772	15,618,677
Restricted for:			
Capital Projects	439,037	0	439,037
Debt Service	55,191	0	55,191
Street Repair and Maintenance	282,808	0	282,808
Police Protection	61,410	0	61,410
Other Purposes	114,031	0	114,031
Unrestricted	547,985	1,003,938	1,551,923
<i>Total Net Assets</i>	<u>\$10,924,367</u>	<u>\$7,198,710</u>	<u>\$18,123,077</u>

See accompanying notes to the basic financial statements

See accountant's compilation report

**City of Canal Fulton, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2009

		Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$673,710	\$32,559	\$20	\$196,237
Security of Persons and Property	1,449,525	141,191	14,230	0
Transportation	452,405	736	315,141	0
Leisure Time Activities	77,588	38,212	0	0
Interest and Fiscal Charges	65,877	0	0	0
<i>Total Governmental Activities</i>	<u>2,719,105</u>	<u>212,698</u>	<u>329,391</u>	<u>196,237</u>
<b>Business-Type Activities:</b>				
Water	707,888	670,236	0	0
Sewer	801,371	746,411	0	0
<i>Total Business-Type Activities</i>	<u>1,509,259</u>	<u>1,416,647</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$4,228,364</u>	<u>\$1,629,345</u>	<u>\$329,391</u>	<u>\$196,237</u>

**General Revenues**

Property Taxes Levied for:

General Purposes

Law Enforcement

Fire Protection

Capital Outlay

Income Tax Levied for:

General Purposes

Law Enforcement

Grants and Entitlements not Restricted  
to Specific Programs

Interest

Other

*Total General Revenues*

Transfers

*Total General Revenues and Transfers*

Change in Net Assets

*Net Assets Beginning of Year*

*Net Assets End of Year*

See accompanying notes to the basic financial statements  
See accountant's compilation report

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$444,894)	\$0	(\$444,894)
(1,294,104)	0	(1,294,104)
(136,528)	0	(136,528)
(39,376)	0	(39,376)
(65,877)	0	(65,877)
(1,980,779)	0	(1,980,779)
0	(37,652)	(37,652)
0	(54,960)	(54,960)
0	(92,612)	(92,612)
(1,980,779)	(92,612)	(2,073,391)
219,122	0	219,122
13	0	13
13	0	13
103,965	0	103,965
1,846,588	0	1,846,588
129,101	0	129,101
219,672	0	219,672
4,960	0	4,960
154,421	10,914	165,335
2,677,855	10,914	2,688,769
(220,000)	220,000	0
2,457,855	230,914	2,688,769
477,076	138,302	615,378
10,447,291	7,060,408	17,507,699
\$10,924,367	\$7,198,710	\$18,123,077

See accountant's compilation report



**City of Canal Fulton, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2009*

	General	Police	Fire/ EMS	General Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$48,093	\$106,468	\$109,446	\$276,626	\$410,096	\$950,729
Accounts Receivable	3,588	71	17,991	0	210	21,860
Intergovernmental Receivable	82,417	515	0	5,584	161,168	249,684
Income Taxes Receivable	448,957	32,085	0	0	0	481,042
Property Taxes Receivable	231,978	0	0	111,349	0	343,327
Materials and Supplies Inventory	0	0	0	0	11,302	11,302
<i>Total Assets</i>	<u>\$815,033</u>	<u>\$139,139</u>	<u>\$127,437</u>	<u>\$393,559</u>	<u>\$582,776</u>	<u>\$2,057,944</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$9,457	\$6,156	\$4,916	\$0	\$2,763	\$23,292
Accrued Wages	5,254	17,317	13,910	0	4,225	40,706
Intergovernmental Payable	13,321	45,975	20,729	0	6,642	86,667
Deferred Revenue	555,209	20,018	11,445	111,349	131,836	829,857
<i>Total Liabilities</i>	<u>583,241</u>	<u>89,466</u>	<u>51,000</u>	<u>111,349</u>	<u>145,466</u>	<u>980,522</u>
<b>Fund Balances</b>						
Reserved for Encumbrances	31,342	5,121	8,852	8,343	5,990	59,648
Unreserved:						
Undesignated, Reported in:						
General Fund	200,450	0	0	0	0	200,450
Special Revenue Funds	0	44,552	67,585	0	211,240	323,377
Debt Service Funds	0	0	0	0	71,335	71,335
Capital Projects Funds	0	0	0	273,867	148,745	422,612
<i>Total Fund Balances</i>	<u>231,792</u>	<u>49,673</u>	<u>76,437</u>	<u>282,210</u>	<u>437,310</u>	<u>1,077,422</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$815,033</u>	<u>\$139,139</u>	<u>\$127,437</u>	<u>\$393,559</u>	<u>\$582,776</u>	<u>\$2,057,944</u>

See accompanying notes to the basic financial statements  
See accountants' compilation report

**City of Canal Fulton, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
December 31, 2009*

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<b>Total Governmental Fund Balances</b>	<b>\$1,077,422</b>
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*Amounts reported for governmental activities in the  
statement of net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,819,599
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	24,919
Income Taxes	300,126
Grants	<u>186,404</u>

Total	511,449
-------	---------

Vacation benefits payable is a contractually required benefit not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(7,987)
--	---------

Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(5,954)
---	---------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(1,344,833)
Lease Payable	(50,861)
Bond Premium	(10,190)
Compensated Absences	<u>(64,278)</u>

Total	<u>(1,470,162)</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$10,924,367</u></u>
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See accompanying notes to the basic financial statements  
See accountants' compilation report

**City of Canal Fulton, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
**Governmental Funds**  
*For the Year Ended December 31, 2009*

	General	Police	Fire/ EMS	General Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$212,447	\$13	\$13	\$101,980	\$0	\$314,453
Income Taxes	1,831,818	130,920	0	0	0	1,962,738
Charges for Services	3,929	0	109,533	0	33,579	147,041
Fines, Licenses and Permits	31,598	9,801	0	0	13,381	54,780
Intergovernmental	267,833	3,913	6,808	202,063	312,367	792,984
Interest	4,909	0	0	0	51	4,960
Contributions and Donations	20	0	0	0	1,228	1,248
Other	131,599	13,730	6,380	0	2,712	154,421
<b>Total Revenues</b>	<b>2,484,153</b>	<b>158,377</b>	<b>122,734</b>	<b>304,043</b>	<b>363,318</b>	<b>3,432,625</b>
<b>Expenditures</b>						
Current:						
General Government	628,755	0	0	0	0	628,755
Security of Persons and Property	0	862,415	392,831	0	7,589	1,262,835
Transportation	14,232	0	0	0	335,891	350,123
Leisure Time Activities	43,158	0	0	0	34,430	77,588
Capital Outlay	0	0	0	358,575	19,251	377,826
Debt Service:						
Principal Retirement	0	0	0	73,871	39,916	113,787
Interest and Fiscal Charges	22,914	0	0	38,654	4,910	66,478
<b>Total Expenditures</b>	<b>709,059</b>	<b>862,415</b>	<b>392,831</b>	<b>471,100</b>	<b>441,987</b>	<b>2,877,392</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,775,094</b>	<b>(704,038)</b>	<b>(270,097)</b>	<b>(167,057)</b>	<b>(78,669)</b>	<b>555,233</b>
<b>Other Financing Sources (Uses)</b>						
Transfers In	0	744,207	275,000	225,000	25,000	1,269,207
Transfers Out	(1,489,207)	0	0	0	0	(1,489,207)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,489,207)</b>	<b>744,207</b>	<b>275,000</b>	<b>225,000</b>	<b>25,000</b>	<b>(220,000)</b>
<b>Net Change in Fund Balances</b>	<b>285,887</b>	<b>40,169</b>	<b>4,903</b>	<b>57,943</b>	<b>(53,669)</b>	<b>335,233</b>
<b>Fund Balances Beginning of Year</b>	<b>(54,095)</b>	<b>9,504</b>	<b>71,534</b>	<b>224,267</b>	<b>490,979</b>	<b>742,189</b>
<b>Fund Balances End of Year</b>	<b>\$231,792</b>	<b>\$49,673</b>	<b>\$76,437</b>	<b>\$282,210</b>	<b>\$437,310</b>	<b>\$1,077,422</b>

See accompanying notes to the basic financial statements  
See accountants' compilation report

**City of Canal Fulton, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2009*

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**Net Change in Fund Balances - Total Governmental Funds** **\$335,233**

*Amounts reported for governmental activities in the  
statement of activities are different because*

Governmental funds report capital outlay as an expenditure.

However, in the statement of activities, the cost of those  
assets is allocated over their estimated useful lives as  
depreciation expense. This is the amount by which capital  
outlay exceeded depreciation in the current period.

Capital Asset Additions	374,260
Current Year Depreciation	<u>(327,714)</u>

**Total** **46,546**

Revenues in the statement of activities that do not provide  
current financial resources are not reported as revenues  
in the funds.

Property Taxes	8,660
Income Taxes	12,951
Grants	(48,932)
Charges for Services	<u>10,877</u>

**Total** **(16,444)**

Repayment of long-term obligations is an expenditure in the  
governmental funds, but the repayment reduces  
long-term liabilities in the statement of net assets.

**113,787**

Some expenses reported in the statement of activities do not require  
the use of current financial resources and therefore are not  
reported as expenditures in governmental funds.

Accrued Interest	(36)
Amortization of Premium on Bonds	<u>637</u>

**Total** **601**

Some expenses reported in the statement of activities,  
do not require the use of current financial resources  
and therefore are not reported as expenditures  
in governmental funds.

Compensated Absences	(3,591)
Vacation Benefits Payable	<u>944</u>

**Total** **(2,647)**

**Change in Net Assets of Governmental Activities** **\$477,076**

See accompanying notes to the basic financial statements  
See accountants' compilation report

**City of Canal Fulton, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2009*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$190,448	\$213,750	\$212,447	(\$1,303)
Income Taxes	1,588,763	1,658,154	1,830,122	171,968
Charges for Services	2,504	2,810	3,929	1,119
Fines, Licenses and Permits	17,107	19,200	33,282	14,082
Intergovernmental	191,850	215,324	238,640	23,316
Interest	13,365	15,000	4,909	(10,091)
Contributions and Donations	356	400	20	(380)
Other	14,045	8,800	126,098	117,298
<b>Total Revenues</b>	<u>2,018,438</u>	<u>2,133,438</u>	<u>2,449,447</u>	<u>316,009</u>
<b>Expenditures</b>				
Current:				
General Government	723,004	756,562	664,529	92,033
Transportation	10,000	16,000	14,232	1,768
Leisure Time Activities	55,541	55,933	44,183	11,750
Debt Service:				
Principal Retirement	605,000	605,000	605,000	0
Interest and Fiscal Charges	25,712	25,712	25,712	0
<b>Total Expenditures</b>	<u>1,419,257</u>	<u>1,459,207</u>	<u>1,353,656</u>	<u>105,551</u>
<b>Excess of Revenues Over Expenditures</b>	<u>599,181</u>	<u>674,231</u>	<u>1,095,791</u>	<u>421,560</u>
<b>Other Financing Sources (Uses)</b>				
General Obligation Notes Issued	605,000	605,000	0	(605,000)
Advances In	300,000	300,000	3,756	(296,244)
Transfers In	1,490,000	240,000	0	(240,000)
Transfers Out	(3,835,000)	(1,870,000)	(1,489,207)	380,793
<b>Total Other Financing Sources (Uses)</b>	<u>(1,440,000)</u>	<u>(725,000)</u>	<u>(1,485,451)</u>	<u>(760,451)</u>
<b>Net Change in Fund Balance</b>	<u>(840,819)</u>	<u>(50,769)</u>	<u>(389,660)</u>	<u>(338,891)</u>
<b>Fund Balance Beginning of Year</b>	<u>350,858</u>	<u>350,858</u>	<u>350,858</u>	<u>0</u>
<b>Prior Year Encumbrances Appropriated</b>	<u>53,927</u>	<u>53,927</u>	<u>53,927</u>	<u>0</u>
<b>Fund Balance (Deficit) End of Year</b>	<u>(\$436,034)</u>	<u>\$354,016</u>	<u>\$15,125</u>	<u>(\$338,891)</u>

See accompanying notes to the basic financial statements  
See accountants' compilation report

**City of Canal Fulton, Ohio**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balance - Budget (Non-GAAP Basis) and Actual**  
**Police Fund**  
**For the Year Ended December 31, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$0	\$0	\$13	\$13
Income Taxes	0	0	130,793	130,793
Fines, Licenses and Permits	1,850	1,850	9,730	7,880
Intergovernmental	0	0	5,608	5,608
Contributions and Donations	200	200	0	(200)
Other	4,000	4,000	3,337	(663)
<b>Total Revenues</b>	<b>6,050</b>	<b>6,050</b>	<b>149,481</b>	<b>143,431</b>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	891,595	914,095	849,031	65,064
<b>Excess of Revenues Under Expenditures</b>	<b>(885,545)</b>	<b>(908,045)</b>	<b>(699,550)</b>	<b>208,495</b>
<b>Other Financing Sources</b>				
Transfers In	875,000	875,000	744,207	(130,793)
<b>Net Change in Fund Balance</b>	<b>(10,545)</b>	<b>(33,045)</b>	<b>44,657</b>	<b>77,702</b>
<b>Fund Balance Beginning of Year</b>	<b>51,230</b>	<b>51,230</b>	<b>51,230</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>5,085</b>	<b>5,085</b>	<b>5,085</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$45,770</b>	<b>\$23,270</b>	<b>\$100,972</b>	<b>\$77,702</b>

See accompanying notes to the basic financial statements  
See accountants' compilation report

**City of Canal Fulton, Ohio**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balance - Budget (Non-GAAP Basis) and Actual**  
**Fire/EMS Fund**  
**For the Year Ended December 31, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$0	\$0	\$13	\$13
Charges for Services	65,000	65,000	111,084	46,084
Intergovernmental	800	800	6,808	6,008
Contributions and Donations	50	50	0	(50)
Other	600	600	6,380	5,780
<i>Total Revenues</i>	66,450	66,450	124,285	57,835
<b>Expenditures</b>				
Current:				
Security of Persons and Property	503,721	508,721	401,936	106,785
<i>Excess of Revenues Under Expenditures</i>	(437,271)	(442,271)	(277,651)	164,620
<b>Other Financing Sources</b>				
Transfers In	375,000	375,000	275,000	(100,000)
<i>Net Change in Fund Balance</i>	(62,271)	(67,271)	(2,651)	64,620
<i>Fund Balance Beginning of Year</i>	98,543	98,543	98,543	0
Prior Year Encumbrances Appropriated	2,860	2,860	2,860	0
<i>Fund Balance End of Year</i>	\$39,132	\$34,132	\$98,752	\$64,620

See accompanying notes to the basic financial statements  
See accountants' compilation report

**City of Canal Fulton, Ohio**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2009*

	Water	Sewer	Total
<b>Assets</b>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$249,299	\$790,892	\$1,040,191
Accounts Receivable	63,607	60,787	124,394
<i>Total Current Assets</i>	312,906	851,679	1,164,585
<i>Noncurrent Assets:</i>			
Deferred Charges	15,000	0	15,000
Nondepreciable Capital Assets	85,700	321,552	407,252
Depreciable Capital Assets, Net	4,242,562	3,861,109	8,103,671
<i>Total Noncurrent Assets</i>	4,343,262	4,182,661	8,525,923
<i>Total Assets</i>	4,656,168	5,034,340	9,690,508
<b>Liabilities</b>			
<i>Current Liabilities:</i>			
Accounts Payable	6,994	10,825	17,819
Accrued Wages	10,098	8,532	18,630
Intergovernmental Payable	18,523	19,188	37,711
Vacation Benefits Payable	3,242	3,090	6,332
Accrued Interest Payable	18,732	0	18,732
General Obligation Bonds Payable	170,084	0	170,084
OPWC Loans Payable	68,893	39,665	108,558
<i>Total Current Liabilities</i>	296,566	81,300	377,866
<i>Long-Term Liabilities:</i>			
Compensated Absences Payable	32,939	28,484	61,423
Bonds Payable	738,913	0	738,913
OPWC Loans Payable	754,399	559,197	1,313,596
<i>Total Long-Term Liabilities</i>	1,526,251	587,681	2,113,932
<i>Total Liabilities</i>	1,822,817	668,981	2,491,798
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	2,610,973	3,583,799	6,194,772
Unrestricted	222,378	781,560	1,003,938
<i>Total Net Assets</i>	\$2,833,351	\$4,365,359	\$7,198,710

See accompanying notes to the basic financial statements  
See accountants' compilation report



**City of Canal Fulton, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2009*

	Water	Sewer	Total
<b>Operating Revenues</b>			
Charges for Services	\$670,236	\$746,411	\$1,416,647
Other	7,634	3,280	10,914
<i>Total Operating Revenues</i>	<u>677,870</u>	<u>749,691</u>	<u>1,427,561</u>
<b>Operating Expenses</b>			
Personal Services	313,974	261,624	575,598
Fringe Benefits	102,041	115,632	217,673
Contractual Services	93,203	176,136	269,339
Materials and Supplies	20,992	97,646	118,638
Depreciation	130,268	149,297	279,565
Other	1,036	1,036	2,072
<i>Total Operating Expenses</i>	<u>661,514</u>	<u>801,371</u>	<u>1,462,885</u>
<i>Operating Income (Loss)</i>	16,356	(51,680)	(35,324)
<b>Non-Operating Expense</b>			
Interest and Fiscal Charges	(46,374)	0	(46,374)
<i>Loss before Transfers</i>	(30,018)	(51,680)	(81,698)
Transfers In	220,000	0	220,000
<i>Change in Net Assets</i>	189,982	(51,680)	138,302
<i>Net Assets Beginning of Year</i>	<u>2,643,369</u>	<u>4,417,039</u>	<u>7,060,408</u>
<i>Net Assets End of Year</i>	<u>\$2,833,351</u>	<u>\$4,365,359</u>	<u>\$7,198,710</u>

See accompanying notes to the basic financial statements

See accountants' compilation report

**City of Canal Fulton, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
*For the Year Ended December 31, 2009*

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$676,213	\$752,601	\$1,428,814
Cash Payments to Employees for Services	(408,985)	(359,510)	(768,495)
Cash Payments for Goods and Services	(116,449)	(280,551)	(397,000)
Other Cash Payments	(10,918)	(12,479)	(23,397)
	<u>139,861</u>	<u>100,061</u>	<u>239,922</u>
<i>Net Cash Provided by Operating Activities</i>			
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from OPWC Loans	0	93,652	93,652
Principal Paid on Bonds	(170,084)	0	(170,084)
Interest Paid on Bonds	(44,030)	0	(44,030)
Principal Paid on OPWC Loans	(68,893)	(39,665)	(108,558)
Payments for Capital Acquisitions	(28,661)	(133,089)	(161,750)
	<u>(311,668)</u>	<u>(79,102)</u>	<u>(390,770)</u>
<i>Net Cash Used in Capital and Related Financing Activities</i>			
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfer In	220,000	0	220,000
	<u>48,193</u>	<u>20,959</u>	<u>69,152</u>
<i>Net Increase in Cash and Cash Equivalents</i>			
<i>Cash and Cash Equivalents Beginning of Year</i>	201,106	769,933	971,039
	<u>201,106</u>	<u>769,933</u>	<u>971,039</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$249,299</u>	<u>\$790,892</u>	<u>\$1,040,191</u>
			(continued)

See accompanying notes to the basic financial statements  
See accountants' compilation report

**City of Canal Fulton, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds (continued)*  
*For the Year Ended December 31, 2009*

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>			
Operating Income (Loss)	\$16,356	(\$51,680)	(\$35,324)
Adjustments:			
Depreciation	130,268	149,297	279,565
(Increase) Decrease in Assets:			
Accounts Receivable	(1,657)	2,910	1,253
Increase (Decrease) in Liabilities:			
Accounts Payable	(4,731)	(12,165)	(16,896)
Vacation Benefits Payable	(279)	30	(249)
Accrued Wages	922	1,171	2,093
Compensated Absences Payable	(2,678)	6,370	3,692
Intergovernmental Payable	1,660	4,128	5,788
<i>Net Cash Provided by Operating Activities</i>	<u>\$139,861</u>	<u>\$100,061</u>	<u>\$239,922</u>

See accompanying notes to the basic financial statements  
See accountants' compilation report

**City of Canal Fulton, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*December 31, 2009*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u>\$3,591</u>
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**Liabilities**

Undistributed Assets	<u>\$3,591</u>
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See accompanying notes to the basic financial statements

See accountants' compilation report

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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**Note 1 – Description of the City and Reporting Entity**

As a result of the 2000 census, Canal Fulton, formerly known as the Village of Canal Fulton became the City of Canal Fulton. The City of Canal Fulton (the "City") is a charter municipal corporation, incorporated under the laws of the State of Ohio. The City operated under a Mayor-City Manager-Council form of government. The Mayor and Council are elected to staggered four year terms. The City Manager is appointed by the Mayor.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. The primary government provides the following services to its citizens: water and sewer utilities, park operations (leisure time activities), street maintenance and repairs, police and fire protection and emergency medical services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board; and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organizations. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. There are no component units included as part of this report.

The City participates in the Stark County Regional Planning Commission, the Stark Council of Governments and the Stark County District Board of Health as jointly governed organizations and the Local Organized Governments in Cooperation, which is defined as a joint venture. These organizations are presented in Notes 18 and 19 to the basic financial statements.

**Note 2 – Summary of Significant Accounting Policies**

The financial statements of the City of Canal Fulton have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The more significant of the City's accounting policies are described below.

***Basis of Presentation***

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

***Fund Financial Statements*** During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

***Fund Accounting***

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The City's funds are classified as either governmental, proprietary or fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

***General Fund*** The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Canal Fulton and/or the general laws of Ohio.

***Police Special Revenue Fund*** The police fund accounts for income tax and property tax proceeds received to pay for expenditures related to police protection in the City.

***Fire/EMS Special Revenue Fund*** The fire/EMS fund accounts for property tax proceeds received to pay for expenditures related to fire protection and emergency medical services in the City.

***General Capital Projects Capital Projects Fund*** The general capital projects fund accounts for grant monies used for capital improvements in the City.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

***Proprietary Funds*** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds.

***Enterprise Funds*** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

***Water Fund*** The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the City.

***Sewer Fund*** The sewer fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

***Fiduciary Funds*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The City's only fiduciary fund is an agency fund. The agency fund is used for performance bonds.

***Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Fund Net Assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Nonexchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines, interest, grants and rentals.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.



**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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***Cash and Cash Equivalents***

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

During 2009, investments were limited to overnight repurchase agreements. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during 2009 amounted to \$4,909, which includes \$4,658 assigned from other City funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents.

***Capital Assets***

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of fifteen hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	50 years
Equipment and Machinery	5-10 years
Vehicles	5 years
Infrastructure	20-75 years

The City's current infrastructure consists of roads, storm sewers and water and sewer lines. For 2003, the City reported governmental activities infrastructure for the first time. The City only reports the amounts acquired after 2002. The City plans to phase in the prior year amounts for roads and bridges in future years.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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***Interfund Balances***

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service. Since the City's policy limits the accrual of vacation time to one year from the employee's anniversary date, the outstanding liability is recorded as "vacation benefits payable" on the statement of net assets rather than as a long-term liability.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination payments and those the City has identified as probable of receiving payment in the future (those employees who will be eligible to receive termination payments within the next ten years). The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for all employees after seven years of accumulated service.

***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the governmental fund financial statements when due.

***Fund Balance Reserves***

Reserves represent those portions of fund equity not available for appropriation or legally segregated for a specific future use. Fund balance reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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***Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for fire/EMS services and the St. Helena canal boat.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sewer services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

***Internal Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***Bond Issuance Costs***

Bond issuance costs for underwriting fees and bond insurance for the Northwest Waterline general obligation bonds are being amortized using the straight-line method over the life of the bonds on the government-wide and proprietary fund statements. The straight-line method of amortization is not materially different from the effective-interest method.

As permitted by State statute, the City paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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***Bond Premium***

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the straight-line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On governmental fund statements, bond premiums are receipted in the year the bonds are issued.

***Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

***Budgetary Process***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the individual object level within each department for all funds. Any budgetary modifications at this level may only be made by resolution of City Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the original and final amended certificate of estimated resources in effect at the time the original and final appropriations were passed by Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

**Note 3 – Change in Accounting**

For fiscal year 2009, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," and Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards",

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change in the City's financial statements.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' and auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the City's financial statements.

**Note 4 – Compliance**

Contrary to Section 5705.39, Ohio Revised Code, the following funds had final appropriations in excess of estimated revenues and carryover balances:

Fund	Estimated Revenue Plus Carryover Balances	Final Appropriations	Excess
<i>Major Fund:</i>			
General Capital Projects	\$570,358	\$697,736	(\$127,378)

Also, contrary to Section 5705.41(B), Ohio Revised Code, the following fund/project had expenditures plus encumbrances in excess of final appropriations:

Fund/Object	Final Appropriations	Expenditures Plus Encumbrances	Excess
<i>Major Fund:</i>			
General			
City Council:			
Materials and Supplies	\$750	\$882	(\$132)
Legal Department:			
Personal Services	16,115	17,214	(1,099)
<i>Debt Service Fund:</i>			
Elm Ridge Development Assessments			
Capital Outlay	0	8,409	(8,409)
Advance Out	0	3,756	(3,756)
<i>Enterprise Fund:</i>			
Sewer Fund			
Materials and Supplies	13,063	98,460	(85,397)

Although these budgetary violations were not corrected by year end, management has indicated that appropriations will be closely monitored to ensure no further violations.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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**Note 5 – Budgetary Basis of Accounting**

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues and other sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and the major special revenue funds.

Net Change in Fund Balance  
General and Major Special Revenue Funds

	General	Police	Fire/EMS
GAAP Basis	\$285,887	\$40,169	\$4,903
Net Adjustment for Revenue Accruals	(34,706)	(8,896)	1,551
Advances In	3,756	0	0
Net Adjustment for Expenditure Accruals	(611,629)	18,880	1,589
Encumbrances	(32,968)	(5,496)	(10,694)
Budget Basis	<u>(\$389,660)</u>	<u>\$44,657</u>	<u>(\$2,651)</u>

**Note 6 – Deposits and Investments**

The City has chosen to follow state statutes which classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligation of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments are reported at fair value. As of December 31, 2009, the City had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Repurchase Agreement:		
Federal National Mortgage Association	\$1,115,000	Daily

**Interest Rate Risk** arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk requiring that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The City investment policy also limits security purchases to those that mature in five years unless specifically matched to a specific cash flow.

**Credit Risk** is addressed by the City's investment policy by the requirements that all investments be authorized by the Ohio Revised Code. The Federal National Mortgage Association Bonds carry an AAA rating by Standard & Poor's.

**Concentration of Credit Risk** is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The City's investment policy requires diversification of the portfolio but does not indicate specific percentage allocations.

## **Note 7 – Receivables**

Receivables at December 31, 2009, consisted primarily of municipal income taxes, property taxes, intergovernmental receivables arising from entitlements and shared revenues and accounts (billings for utility service). No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

### **Property Taxes**

Property taxes include amounts levied against all real and public utility personal property located in the County. Property tax revenue received during 2009 for real and public utility property taxes represents collections of 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) are for 2009 taxes.

2009 real property taxes are levied after October 1, 2009 on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.



**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes which became a lien on December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

Tangible personal property tax revenue received during 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all City operations for the year ended December 31, 2009, was \$3.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

	<u>Assessed Value</u>
Real Property	\$96,670,187
Public Utility Property	1,040,280
Total	<u><u>\$97,710,467</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Canal Fulton. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009 and for which there is an enforceable legal claim. In the general and capital improvement funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2008 operations and the collection of delinquent taxes during the available period are not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

#### ***Income Taxes***

The City levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency or business activities within the City. The City allows a credit of 50 percent for the income tax paid to another municipality, not to exceed one percent of taxable income, to a maximum of half the total amount assessed.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, income tax proceeds, after income tax department expenditures, are credited to the general fund and the police special revenue fund.

**City of Canal Fulton, Ohio**  
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*For the Year Ended December 31, 2009*

***Intergovernmental Receivables***

A summary of intergovernmental receivables follows:

	<u>Amount</u>
<b>Governmental Activities</b>	
Gasoline Tax	\$113,084
Local Government	53,409
Homestead and Rollback	34,592
Permissive Motor Vehicle License Tax	33,314
Motor Vehicle License Tax	9,172
Miscellaneous	6,113
Total	<u><u>\$249,684</u></u>

**Note 8 – Interfund Transfers**

Interfund transfers for the year ended December 31, 2009, consisted of the following:

<u>Transfer to</u>	<u>Transfer From</u> <u>General</u>
Major Funds:	
Police	\$744,207
Fire/EMS	275,000
General Capital Projects	225,000
Water	220,000
Total Major Funds	<u>1,464,207</u>
Other Governmental Funds	25,000
Total	<u><u>\$1,489,207</u></u>

The transfers to the police and fire/EMS special revenue funds, water enterprise fund, and nonmajor funds were to supplement the operations of those funds. The transfer to the downtown improvement debt service fund was for the repayment of debt. The transfer to the general capital projects fund was to supplement capital improvements.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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**Note 9 – Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2009, the City contracted with The Ohio Plan for various types of insurance. The coverage and deductible are as follows:

Type of Coverage	Deductible	Coverage
General Liability	\$1,000	\$2,000,000
Employers Liability	0	1,000,000
Employee Benefits	1,000	1,000,000
Law Enforcement Officers Liability	5,000	2,000,000
Public Officials Liability	1,000	2,000,000
Automobile	500	2,000,000
Property	1,000	12,133,693
Special Property Coverage	1,000	1,011,056
Electronic Equipment/Media Coverage	500	40,201
Public Employee Dishonesty	250	10,000
Boiler and Machinery	1,000	12,133,693
Emergency Medical Services Liability	1,000	2,000,000
Municipal Attorney and Law Director	1,000	1,000,000

There has not been a significant reduction in coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**Note 10 – Other Employee Benefits**

***Compensated Absences***

Vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten or more days of vacation per year, depending upon length of service. Only five vacation days may be carried over to the following year. All accumulated unused vacation time is paid upon termination of employment.

Employees earn sick leave at a rate of 4.6 hours for each completed pay period of 80 hours. Sick leave accumulation is unlimited, but upon retirement, a non-union employee can be paid twenty-five percent of accumulated, unused sick leave to a maximum of 120 days and a union employee can be paid twenty-five percent of accumulated sick leave.

***Medical and Dental Insurance***

The City provides medical, dental, and vision benefits to employees through HomeTown Health, MetLife, and Vision Service Plan, respectively. The City's portion of monthly premiums for 2009 were \$836.21 for family, \$590.20 for employee and spouse, \$502.89 for employee and children, and \$277.59 for single.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2009

**Note 11 – Capital Assets**

Capital asset activity for the year ended December 31, 2009, was as follows:

	Balance 12/31/2008	Additions	Deductions	Balance 12/31/2009
<b>Governmental Activities</b>				
Capital Assets not being depreciated:				
Land	\$2,668,100	\$0	\$0	\$2,668,100
Capital Assets being depreciated:				
Buildings and Improvements	7,144,653	19,251	0	7,163,904
Equipment and Machinery	529,095	60,489	0	589,584
Vehicles	1,239,492	20,864	0	1,260,356
Infrastructure:				
Storm Sewers	3,579,030	0	0	3,579,030
Roads	624,833	273,656	0	898,489
Total Capital Assets being depreciated	13,117,103	374,260	0	13,491,363
Less Accumulated Depreciation:				
Buildings and Improvements	(1,579,803)	(126,163)	0	(1,705,966)
Equipment and Machinery	(299,594)	(61,204)	0	(360,798)
Vehicles	(1,108,205)	(54,858)	0	(1,163,063)
Infrastructure:				
Storm Sewers	(1,866,913)	(40,341)	0	(1,907,254)
Roads	(157,635)	(45,148)	0	(202,783)
Total Accumulated Depreciation	(5,012,150)	(327,714) *	0	(5,339,864)
Total Capital Assets being Depreciated, net	8,104,953	46,546	0	8,151,499
Governmental Activities Capital Assets, Net	<u>\$10,773,053</u>	<u>\$46,546</u>	<u>\$0</u>	<u>\$10,819,599</u>
<b>Business-Type Activities</b>				
Capital Assets not being depreciated:				
Land	\$313,600	\$0	\$0	\$313,600
Construction in Progress	0	93,652	0	93,652
Total Capital Assets not being depreciated	313,600	93,652	0	407,252
Capital Assets being depreciated:				
Buildings and Improvements	4,259,228	54,291	0	4,313,519
Equipment and Machinery	135,577	10,978	0	146,555
Vehicles	146,258	0	0	146,258
Infrastructure:				
Sewer Lines	4,563,535	0	0	4,563,535
Water Lines	6,113,338	2,829	0	6,116,167
Total Capital Assets being depreciated	15,217,936	68,098	0	15,286,034
Less Accumulated Depreciation:				
Buildings and Improvements	(1,783,164)	(98,312)	0	(1,881,476)
Equipment and Machinery	(76,913)	(19,765)	0	(96,678)
Vehicles	(91,801)	(19,491)	0	(111,292)
Infrastructure:				
Sewer Lines	(2,237,452)	(56,712)	0	(2,294,164)
Water Lines	(2,713,468)	(85,285)	0	(2,798,753)
Total Accumulated Depreciation	(6,902,798)	(279,565)	0	(7,182,363)
Total Capital Assets, being depreciated, net	8,315,138	(211,467)	0	8,103,671
Business-Type Activities Capital Assets, Net	<u>\$8,628,738</u>	<u>(\$117,815)</u>	<u>\$0</u>	<u>\$8,510,923</u>

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
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\* Depreciation expense was charged to governmental activities as follows:

General Government	\$44,328
Security of Persons and Property	182,065
Transportation	101,321
Total Depreciation Expense	<u>\$327,714</u>

**Note 12 – Notes Payable**

During 2008, the City issued notes in the amount of \$605,000, with a 4.25 percent interest rate and a maturity date of November 28, 2009. These notes were issued for the purpose of retiring notes that were issued in 2007 for the purpose of purchasing land. As of December 31, 2009, these notes have been retired and no liability exists.

**Note 13 – Long-Term Obligations**

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<b>Governmental Activities</b>			
Downtown Improvement Bonds - 2001	2.6%-4.2%	\$380,000	December 1, 2011
Fire Station Bonds 1 - 2006	4.25-5.0	750,000	December 1, 2025
Fire Station Bonds 2 - 2006	4.25	750,000	December 1, 2025
<b>Business-Type Activities</b>			
OPWC Canal Street Waterline Loan - 1995	0.0	123,156	July 1, 2015
OPWC Market Street Waterline Loan - 1995	0.0	322,455	July 1, 2015
OPWC Water Treatment Plant Loan - 2003	0.0	600,595	July 1, 2024
OPWC Denshire Sanitary Sewer Loan - 2003	0.0	417,195	July 1, 2022
OPWC Solids Handling Improvement Loan - 2003	0.0	376,100	January 1, 2023
OPWC Milan Street Waterline Loan - 2006	0.0	331,649	January 1, 2026
Water Treatment Plant Bonds - 2001	2.6-4.2	810,000	December 1, 2011
Water Plant Expansion Bonds - 2001	2.6-4.2	615,000	December 1, 2011
Northwest Waterline Bonds - 2005	3.0-4.5	730,000	March 15, 2025

**City of Canal Fulton, Ohio**  
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The changes in the City's long-term obligations during the year consist of the following:

	Amount Outstanding 12/31/2008	Additions	Deletions	Amount Outstanding 12/31/2009	Amounts Due in One Year
<b>Governmental Activities</b>					
<u>General Obligation Bonds</u>					
Downtown Improvement Bonds	\$119,749	\$0	\$39,916	\$79,833	\$39,916
Fire Station Bonds 1	660,000	0	25,000	635,000	30,000
Premium on Fire Station Bonds 1	7,652	0	450	7,202	0
Fire Station Bonds 2	655,000	0	25,000	630,000	30,000
Premium on Fire Station Bonds 2	3,175	0	187	2,988	0
Total General Obligation Bonds	1,445,576	0	90,553	1,355,023	99,916
Capital Lease	74,732	0	23,871	50,861	24,896
Compensated Absences	60,687	12,522	8,931	64,278	0
Total Governmental Activities	<u>\$1,580,995</u>	<u>\$12,522</u>	<u>\$123,355</u>	<u>\$1,470,162</u>	<u>\$124,812</u>
<b>Business-Type Activities</b>					
<u>OPWC Loans</u>					
OPWC Canal Street Waterline	\$40,024	\$0	\$6,158	\$33,866	\$6,158
OPWC Market Street Waterline	104,798	0	16,123	88,675	16,123
OPWC Water Treatment Plant	465,460	0	30,030	435,430	30,030
OPWC Denshire Sanitary Sewer	281,605	0	20,860	260,745	20,860
OPWC Solids Handling Improvement	263,270	0	18,805	244,465	18,805
OPWC Milan Street Waterline	281,903	0	16,582	265,321	16,582
OPWC High Street Sanitary Sewer	0	93,652	0	93,652	0
Total OPWC Loans	1,437,060	93,652	108,558	1,422,154	108,558
General Obligation Bonds:					
Water Treatment Plant Bonds	255,251	0	85,084	170,167	85,084
Water Plant Expansion Bonds	165,000	0	55,000	110,000	55,000
Northwest Waterline Bonds					
Serial Bonds	410,000	0	30,000	380,000	30,000
Term Bonds	245,000	0	0	245,000	0
Premium on Northwest Waterline Bonds	4,086	0	256	3,830	0
Total General Obligation Bonds	1,079,337	0	170,340	908,997	170,084
Compensated Absences	57,731	10,273	6,581	61,423	0
Total Business-Type Activities	<u>\$2,574,128</u>	<u>\$103,925</u>	<u>\$285,479</u>	<u>\$2,392,574</u>	<u>\$278,642</u>

The downtown improvement bonds, fire station bonds 1 and 2, the capital lease will be paid from the downtown improvement debt service fund. The bond anticipation note was paid from this fund as well.

The water treatment plant bonds and the water plant expansion bonds were issued in 2001 to improve and expand the City's water treatment plant. On March 15, 2005, the City issued \$730,000 of Water Improvement Bonds for the purpose of constructing a waterline for the Northwest Local School District. The bonds are subject to mandatory sinking fund redemption before maturity. Interest payments, at rates ranging from 3 percent to 4.50 percent per year are payable on March 15 and September 15 of each year, until the principal amount is paid. The bonds are paid from user fees in the water fund.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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**Redemption Provisions**

***Mandatory Sinking Fund Redemption*** The Northwest waterline bonds maturing on March 15, 2025 are term bonds and are subject to mandatory sinking redemption requirements on March 15 in the years (Mandatory Redemption Dates) and in the principal amounts as follows (with the balance of \$55,000 to be paid at maturity on March 15, 2025):

Year	Principal Amount
2021	\$45,000
2022	45,000
2023	50,000
2024	50,000

The OPWC water and sewer loans are to finance various waterline and sanitary sewer projects in the City and will be paid from the water and sewer funds. The City has entered into a contractual agreement for an OPWC High Street Sanitary Sewer loan. Since the loan repayment schedule has not yet been finalized, a repayment schedule is not included in the schedule of debt service requirements.

Compensated absences will be paid from the general fund, the street construction, maintenance and repair and police special revenue funds, and the water and sewer enterprise funds.

As of December 31, 2009, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$8,058,984 and the unvoted legal debt margin was \$3,173,461.

Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2009 are as follows:

Year	Governmental Activities	
	General Obligation	
	Bonds	
	Principal	Interest
2010	\$99,916	\$63,714
2011	99,917	59,526
2012	60,000	55,300
2013	60,000	52,750
2014	70,000	50,200
2015-2019	370,000	202,200
2020-2024	475,000	100,250
2025-2029	110,000	5,500
Total	<u>\$1,344,833</u>	<u>\$589,440</u>

**City of Canal Fulton, Ohio**  
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Year	Business-Type Activities				
	OPWC Loans	General Obligation Bonds			
		Serial		Term	
	Principal	Principal	Interest	Principal	Interest
2010	\$108,558	\$170,084	\$37,414	\$0	\$0
2011	108,558	170,083	30,621	0	0
2012	108,558	30,000	23,612	0	0
2013	108,558	30,000	22,412	0	0
2014	108,558	35,000	21,112	0	0
2015-2019	442,521	185,000	83,745	0	0
2020-2024	326,600	40,000	11,876	190,000	27,453
2025-2029	16,591	0	0	55,000	1,233
Total	<u>\$1,328,502</u>	<u>\$660,167</u>	<u>\$230,792</u>	<u>\$245,000</u>	<u>\$28,686</u>

**Note 14 – Capital Leases Payable**

During 2007, the City entered into a lease for the acquisition of an ambulance. This lease obligation meets the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, "Accounting for Leases," and has been recorded as a capital asset on the government-wide statements. Capital lease payments are reflected as debt service expenditures in the general capital projects fund on the basic financial statements. The original amount capitalized for the capital lease and the book value as of December 31, 2009 follows:

	Governmental Activities
Vehicles	\$119,563
Less: Accumulated Depreciation	(71,739)
Current Book Value	<u>\$47,824</u>

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2009:

Year Ending December 31,	Governmental Activities
2010	\$26,796
2011	26,796
Total Minimum Lease Payments	53,592
Less: Amount Representing Interest	(2,731)
Total	<u>\$50,861</u>



**City of Canal Fulton, Ohio**  
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**Note 15 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability and survivor benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2009 was 14 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63 percent of covered payroll. For the period January 1 through March 31, a portion of the City's contribution equal to 7 percent of covered payroll was allocated to fund the post-employment health care plan; for the period April 1 through December 31, 2009 this amount was decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the traditional pension and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$81,083, \$66,779, and \$71,192, respectively; 90.49 percent has been contributed for 2009 and 100 percent for 2008 and 2007. There were no contributions to the Member-Directed Plan for 2009 made by the City or the plan members.

***Ohio Police and Fire Pension Fund***

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
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Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters. The City's contributions to OP&F were \$70,422 for the year ended December 31, 2009, \$58,266 for the year ended December 31, 2008, and \$40,657 for the year ended December 31, 2007. 76.28 percent has been contributed for 2009. The full amount has been contributed for 2008 and 2007.

## **Note 16 – Postemployment Benefits**

### ***Ohio Public Employees Retirement System***

Plan Description – Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). State Statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14 percent of covered payroll, and public safety and law enforcement employers contributed at 17.63 percent. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The amount of employer contributions which were allocated to fund post-employment health care was 7 percent from January 1 through March 31, 2009, and 5.5 percent from April 1 through December 31, 2009.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$81,083, \$66,779, and \$46,893, respectively; 90.49 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

**City of Canal Fulton, Ohio**  
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The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

***Police and Firemen's Disability and Pension Fund***

**Plan Description** – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**Funding Policy** – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police were \$37,282 for the year ended December 31, 2009, \$30,847 for the year ended December 31, 2008, and \$28,830 for the year ended December 31, 2007. 76.28 percent has been contributed for police for 2009. The full amount has been contributed for 2008 and 2007.

**Note 17 – Litigation**

The City is not currently a party to any legal proceedings which would have a material impact on the financial statements.

**Note 18 – Jointly Governed Organizations**

***Stark County Regional Planning Commission***

The City participates in the Stark County Regional Planning Commission (Commission), which is a statutorily created political subdivision of the State. The commission is jointly governed among Stark County, and other cities, villages, and townships. Of the 48 member board, the City appoints one member. The degree of control exercised by any participating government is limited to its representation on the board. The principal aim of the Commission is to provide comprehensive planning, both long and short-term range, dealing with the economic and physical environment of Stark County. The board exercises total authority for the day-to-day operations of the Commission. These include budgeting, appropriating, contracting and designating management. The City has no financial responsibility for any of the Commission's liabilities. In 2009, the City contributed \$13,847 to the Commission. Complete financial statements can be obtained from the Stark County Regional Planning Commission, Stark County, Ohio.

***Stark Council of Governments***

The City participates in the Stark Council of Governments (the "Council") which is a statutorily created political subdivision of the State. The Council is jointly governed among Stark County and its municipalities and townships which direct the operations of the Stark County Metropolitan Narcotics Unit and the Stark County Crime Laboratory. Of the 27 members, the City has one appointed member. Each member's control over the operation of the Council is limited to its representation on the board. The board exercises total authority over the operation of the Council including budgeting, appropriation, contracting, and designating management. The City does not have an equity interest in the Council. The Council is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. The City did not contribute any funds to the Council in 2009. Complete financial statements can be obtained from the Stark Council of Governments, P.O. Box 21451 Canton, Ohio 44701-1451.

**City of Canal Fulton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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***Stark County District Board of Health***

The City participates in the Stark County District Board of Health (the "Health District") which is a statutorily created political subdivision of the State. The Health District is jointly governed by Stark County townships, villages, the City of Canal Fulton, the City of Louisville, and the City of North Canton. Of the 7 board members, the City has one appointed member. The board is made up of various professionals who are equally representative of the general health district. The board exercises total authority over the operation of the Health District including budgeting, appropriation, contracting, and designating management. The City does not have an equity interest in the Health District. The Health District is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. The City contributed \$24,029 to the Health District in 2009. Complete financial statements can be obtained from the Stark County Combined General Health District, 3951 Convenience Circle NW, Canton, Ohio 44718.

**Note 19 – Joint Venture**

The City participates in the Local Organized Governments in Cooperation (LOGIC), a statutorily created political subdivision of the State formed in 1986 to provide safety dispatching services. LOGIC is a joint venture among the City, Jackson Township, City of Massillon, and Hills and Dales Village, with each participant providing one representative to serve on the board. Each representative has a membership share based on the percentage of contractual financial contributions to the total funding, and each participant is entitled to vote its percentage share. The board has total authority over the operation of LOGIC, including budgeting, appropriating, contracting, and designating management. Continued existence of LOGIC is dependent on the City's continued participation. LOGIC does not provide specific financial benefits or impose specific financial burdens on the City. During 2009, the City made contributions of \$47,328, but does not have an equity interest in LOGIC. Financial statements of LOGIC may be obtained from Local Organized Governments in Cooperation, Canton, Ohio.





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